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Tom Daschle, Chairman
Byron Dorgan, Co-Chairman

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SPECIAL REPORT

Keeping Pace With Prosperity: Americans Deserve a Fair Minimum Wage

- Do American Workers Need a Minimum Wage Increase? 2
- Will an Increase in the Minimum Wage Lead to Job Losses? 3
- Who Will Benefit from an Increase in the Minimum Wage? 4
- Will Raising the Minimum Wage Really Make a Difference? 5
- Do Americans Support an Increase in the Minimum Wage? 5
- Democrats Believe Low-Wage Americans Deserve a Raise 6
- *Table: Increases
in the Minimum Wage (1955-1996)..... Appendix A*
- *What Democratic Presidents
Have Said About the Minimum Wage Appendix B*

DPC Staff Contact: Chuck Cooper (202-224-3232)

DPC Press Contacts: Ranit Schmelzer (202) 224-2939

Molly Rowley (202) 224-2939



Keeping Pace With Prosperity: Americans Deserve a Fair Minimum Wage

By nearly every measure, we have the strongest economy in more than a generation. A disappearing deficit, rising worker productivity and increased business investment have given us robust economic growth, the lowest peacetime unemployment rate in 42 years and the lowest core inflation rate in three decades.

But the benefits of prosperity have not flowed to lower wage workers. A full-time minimum wage worker earns \$10,712 per year—\$3,200 below the poverty level for a family of three. As a result of the large increases in income disparities over the past 20 years, the 2.7 million Americans with the highest incomes (top one percent) will have as much after-tax income in 1999 as the 100 million Americans with the lowest incomes (lowest 38 percent). (Center on Budget and Policy Priorities, September 1999)

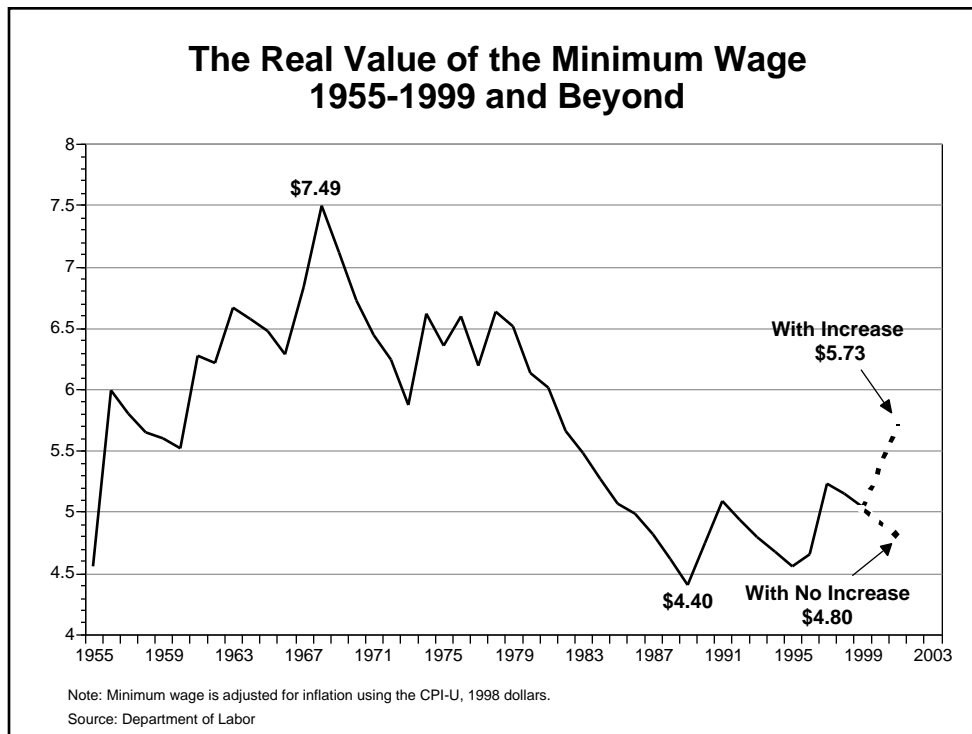
Senator **Kennedy's** Democratic proposal, the *Fair Minimum Wage Act of 1999*, would provide a 50 cent increase to the minimum wage on January 1, 2000, and a second increase on January 1, 2001. This modest increase, which would raise the minimum wage to \$6.15 per hour, will help millions of lower-income Americans and their families. The initiative would also apply the Federal minimum wage to the Commonwealth of the Northern Mariana Islands.

Do American Workers Need a Minimum Wage Increase?

While the recent increase in the minimum wage helped millions of low-wage Americans, more needs to be done. The minimum wage increase passed in 1996 prevented the minimum wage from falling to its lowest inflation-adjusted level in 40 years.

The proposed increase to \$6.15 would get the minimum wage back to where it was in 1982. If we do nothing, the real value of the minimum wage will continue to decline.

Across the country, soup kitchens, food pantries and homeless shelters are increasingly serving the working poor—not just the unemployed. According to a recent survey by the U.S. Conference of Mayors, 38 percent of those seeking emergency food aid were employed, compared to 23 percent in 1994. Local government officials now cite low-paying jobs as the most common cause of hunger in their communities (U.S. Conference of Mayors).



Will an Increase in the Minimum Wage Lead to Job Losses?

Republicans claim an increase in the minimum wage will result in a significant loss of jobs. Critics of the minimum wage contend that employment losses would be particularly hard on women, minorities and teenagers, which are the very groups that Democrats believe would be helped by a minimum wage hike.

Despite Republican claims, unemployment rates have declined for all these groups between September 1996 (the month before the first phase of the last increase) and August 1999:

	September 1996	August 1999
Men	4.5%	3.6%
Women	4.6	3.7
Adults	4.5	3.6
Teens	15.7	13.5
African Americans	10.6	7.8
Hispanic Americans	8.3	6.5

Over the last two decades, nearly two dozen studies have concluded that modest minimum-wage increases have no detectable effect on employment. One of the most comprehensive studies, conducted by Princeton economists David Card and Alan Krueger, found that employment in fast-food restaurants grew at least as quickly, and possibly slightly faster, in New Jersey as in neighboring counties in Pennsylvania after New Jersey increased its State minimum wage (David Card and Alan B. Krueger, "Unemployment Chimera," *The Washington Post*, March 6, 1998).

Data from the Bureau of Labor Statistics has shown that since the last increase took effect:

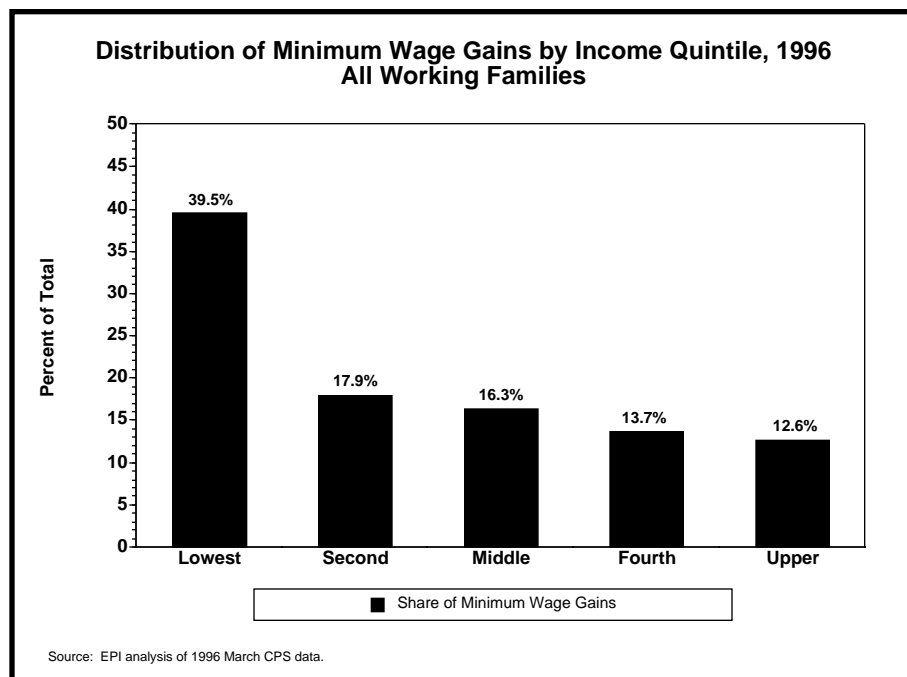
- 8.7 million total new jobs have been added;
- 1.2 million new retail jobs have been added; and
- 415,000 new restaurant jobs have been added.

Who Will Benefit From an Increase in the Minimum Wage?

Republicans claim that increases in the minimum wage are poorly targeted because they mostly go to teenagers in high-income families. An analysis of Department of Labor data reveals:

- 70 percent of the workers who will benefit from the increase are adults age 20 and over;
- 59 percent of the workers are female;
- 46 percent of the affected workers work full time;
- 40 percent of the workers are the sole breadwinners in their families;
- 18 percent of the workers are Hispanic; and
- 15 percent of the workers are African-American.

The distributional data reveal that the last modest increase in the minimum wage in 1996-1997 went overwhelmingly to the families that needed it most: workers in lower-income families.



Will Raising the Minimum Wage Really Make a Difference?

An increase in the minimum wage will improve the quality of life for millions of American workers and their families. Under the proposed increase, a full-time minimum wage worker would earn an additional \$2,000 per year beginning in 2001. Lower-wage families could use this extra money to pay for:

- groceries for seven months;
- rent for five months;
- utility bills for ten months; or
- nearly 1-1/2 years of tuition and fees at a two-year college.
(August 1999 Bureau of Labor Statistics data; based on the expenditure patterns of an average family of four)

Do Americans Support an Increase in the Minimum Wage?

Recent polls show that Americans strongly support increasing the minimum wage.

- A March 1999 NBC News/*Wall Street Journal* poll found 75 percent of Americans support an increase in the minimum wage.
- A February 1999 *Los Angeles Times* poll found 81 percent of Americans support raising the minimum wage.
- A February 1998 Pew poll found 80 percent support the Democratic proposal to increase the minimum wage.
- A January 1998 Peter Hart Research poll found that 77 percent of Americans support an increase in the minimum wage.

Democrats Believe Low-Wage Americans Deserve a Raise

The *Fair Minimum Wage Act of 1999* would raise the minimum hourly wage by 50 cents on January 1, 2000 and by another 50 cents on January 1, 2001. In an era of economic growth in which the gap between rich and poor has widened, raising the minimum wage is a matter of fundamental fairness. Numerous studies have shown that modest increases in the minimum wage, especially during times of low unemployment, have not had a negative impact on employment. Analyses of Department of Labor data also reveal that benefits from an increase in the minimum wage will go to the adult, low-income workers who need it the most. Senate Democrats will continue to fight to ensure that American workers earn a livable wage.

Appendix A

Increases in the Minimum Wage (1955-1996)

<u>Date of Legislation</u>	<u>Date Increase Took Effect</u>	<u>Minimum Wage</u>	<u>Amount of Increase</u>	<u>Percent Increase</u>	<u>Unemployment</u>
Aug. 12, 1955	Mar. 1, 1956	\$1.00 (was .75)	.25	33.0%	4.2%
May 5, 1961	Sep. 3, 1961	1.15	.15	15.0%	6.7%
	Sep. 3, 1963	1.25	.10	9.0%	5.5%
Sep. 23, 1966	Feb. 1, 1967	1.40	.15	12.0%	3.8%
	Feb. 1, 1968	1.60	.20	14.0%	3.8%
Apr. 8, 1974	May 1, 1974	2.00	.40	25.0%	5.1%
	Jan. 1, 1975	2.10	.10	5.0%	8.1%
	Jan. 1, 1976	2.30	.20	10.0%	7.9%
Nov. 1, 1977	Jan. 1, 1978	2.65	.35	15.0%	6.4%
	Jan. 1, 1979	2.90	.25	9.0%	5.9%
	Jan. 1, 1980	3.10	.20	7.0%	6.3%
	Jan. 1, 1981	3.35	.25	8.0%	7.5%
Nov. 17, 1989	Apr. 1, 1990	3.80	.45	13.0%	5.4%
	Apr. 1, 1991	4.25	.45	12.0%	6.7%
Aug. 20, 1996	Oct. 1, 1996	4.75	.50	12.0%	5.2%
	Sep. 1, 1997	5.15	.40	8.0%	4.9%
Proposal	Jan. 1, 2000	5.65	.50	10.0%	4.2%
	Jan. 1, 2001	6.15	.50	9.0%	(8/99)

Appendix B

What Democratic Presidents Have Said About the Minimum Wage

“Our Nation, so richly endowed with natural resources and with a capable and industrious population, should be able to devise ways and means of ensuring to all able-bodied working men and women a fair day’s pay for a fair day’s work.”

—President Franklin D. Roosevelt

“They [Republicans] say they are in favor of good wages—but they argue that the minimum wage should be held down to starvation level. They are making exactly the same speeches now against the 75 cent minimum wage that they made back in the thirties against a 40-cent minimum wage.”

—President Harry S. Truman

“[An increase would] improve the level of living, morale, and efficiency of many of our lowest paid workers, and provide incentives for their more productive utilization. This can actually increase productivity and hold down unit costs with no adverse affects.”

—President John F. Kennedy

“We must provide all possible assistance to those who seek work and decent living conditions for those who do work.”

—President Lyndon B. Johnson

“This bill (FLSA) said that Americans who had to work with their hands, the laborers of our Nation, those from low-income families, should be treated fairly. They should be given the right to an income which would at least buy the necessities of life.”

—President Jimmy Carter

“In an economy that honors opportunity, all Americans must be able to reap the rewards of prosperity. Because these times are good, we can afford to take one simple, sensible step to help millions of workers struggling to provide for their families: We should raise the minimum wage.”

—President Bill Clinton